

104TH CONGRESS  
1ST SESSION

# S. 1273

To amend the Internal Revenue Code of 1986 to allow a credit for interest paid on education loans.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 26 (legislative day, SEPTEMBER 25), 1995

Mr. GRASSLEY (for himself and Ms. MOSELEY-BRAUN), introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for interest paid on education loans.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Higher Education In-  
5       vestment Act of 1995”.

6       **SEC. 2. CREDIT FOR INTEREST ON EDUCATION LOANS.**

7       (a) IN GENERAL.—Subpart A of part IV of sub-  
8       chapter A of chapter 1 of the Internal Revenue Code of  
9       1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 22 the following new  
2 section:

3 **“SEC. 23. INTEREST ON EDUCATION LOANS.**

4       “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
5 dividual, there shall be allowed as a credit against the tax  
6 imposed by this chapter for the taxable year an amount  
7 equal to 20 percent of the interest paid by the taxpayer  
8 during the taxable year on any qualified education loan.

9       “(b) MAXIMUM CREDIT.—

10           “(1) IN GENERAL.—Except as provided in para-  
11 graph (2), the credit allowed by subsection (a) for  
12 the taxable year shall not exceed \$500 (\$1,000 in  
13 the case of 2 or more individuals with qualified high-  
14 er education expenses paid by any qualified edu-  
15 cation loan).

16           “(2) LIMITATION BASED ON MODIFIED AD-  
17 JUSTED GROSS INCOME.—

18           “(A) IN GENERAL.—If the modified ad-  
19 justed gross income of the taxpayer for the tax-  
20 able year exceeds \$40,000 (\$60,000 in the case  
21 of a joint return), the amount which would (but  
22 for this paragraph) be allowable as a credit  
23 under this section shall be reduced (but not  
24 below zero) by the amount which bears the

1 same ratio to the amount which would be so al-  
2 lowable as such excess bears to \$15,000.

3 “(B) MODIFIED ADJUSTED GROSS IN-  
4 COME.—The term ‘modified adjusted gross in-  
5 come’ means adjusted gross income deter-  
6 mined—

7 “(i) without regard to sections 135,  
8 911, 931, and 933, and

9 “(ii) after application of sections 86,  
10 219, and 469.

11 “(C) INFLATION ADJUSTMENT.—In the  
12 case of any taxable year beginning after 1996,  
13 the \$40,000 and \$60,000 amounts referred to  
14 in subparagraph (A) shall be increased by an  
15 amount equal to—

16 “(i) such dollar amount, multiplied by

17 “(ii) the cost-of-living adjustment de-  
18 termined under section (1)(f)(3) for the  
19 calendar year in which the taxable year be-  
20 gins, except that subparagraph (B) of sub-  
21 section (1)(f)(3) shall be applied by sub-  
22 stituting ‘1995’ for ‘1992’.

23 “(D) ROUNDING.—If any amount as ad-  
24 justed under subparagraph (C) is not a multiple  
25 of \$50, such amount shall be rounded to the

1           nearest multiple of \$50 (or, if such amount is  
2           a multiple of \$25, such amount shall be round-  
3           ed to the next highest multiple of \$50).

4           “(c) LIMITATION ON TAXPAYERS ELIGIBLE FOR  
5 CREDIT.—No credit shall be allowed by this section to an  
6 individual for the taxable year if a deduction under section  
7 151 with respect to such individual is allowed to another  
8 taxpayer for the taxable year beginning in the calendar  
9 year in which such individual’s taxable year begins.

10          “(d) LIMIT ON PERIOD CREDIT ALLOWED.—

11           “(1) TAXPAYER AND TAXPAYER’S SPOUSE.—  
12 Except as provided in paragraph (2), a credit shall  
13 be allowed under this section only with respect to in-  
14 terest paid on any qualified education loan during  
15 the first 60 months (whether or not consecutive) in  
16 which interest payments are required. For purposes  
17 of this paragraph, any loan and all refinancings of  
18 such loan shall be treated as 1 loan.

19           “(2) DEPENDENT.—If the qualified education  
20 loan was used to pay education expenses of an indi-  
21 vidual other than the taxpayer or the taxpayer’s  
22 spouse, a credit shall be allowed under this section  
23 for any taxable year with respect to such loan only  
24 if—

1           “(A) a deduction under section 151 with  
2           respect to such individual is allowed to the tax-  
3           payer for such taxable year, and

4           “(B) such individual is at least a half-time  
5           student with respect to such taxable year.

6           “(e) DEFINITIONS.—For purposes of this section—

7           “(1) QUALIFIED EDUCATION LOAN.—The term  
8           ‘qualified education loan’ means any indebtedness  
9           incurred to pay qualified higher education ex-  
10          penses—

11          “(A) which are incurred on behalf of the  
12          taxpayer, the taxpayer’s spouse, or a dependent  
13          of the taxpayer,

14          “(B) which are paid or incurred within a  
15          reasonable period of time before or after the in-  
16          debtedness is incurred, and

17          “(C) which are attributable to education  
18          furnished during a period during which the re-  
19          cipient was at least a half-time student.

20          Such term includes indebtedness used to refinance  
21          indebtedness which qualifies as a qualified education  
22          loan. The term ‘qualified education loan’ shall not  
23          include any indebtedness owed to a person who is re-  
24          lated (within the meaning of section 267(b) or  
25          707(b)(1)) to the taxpayer.

1           “(2) QUALIFIED HIGHER EDUCATION EX-  
2           PENSES.—The term ‘qualified higher education ex-  
3           penses’ means the cost of attendance (as defined in  
4           section 472 of the Higher Education Act of 1965,  
5           20 U.S.C. 1087*ll*, as in effect on the day before the  
6           date of the enactment of this Act) of the taxpayer,  
7           the taxpayer’s spouse, or a dependent of the tax-  
8           payer at an eligible educational institution. For pur-  
9           poses of the preceding sentence, the term ‘eligible  
10          educational institution’ has the same meaning given  
11          such term by section 135(c)(3), except that such  
12          term shall also include an institution conducting an  
13          internship or residency program leading to a degree  
14          or certificate awarded by an institution of higher  
15          education, a hospital, or a health care facility which  
16          offers postgraduate training.

17          “(3) HALF-TIME STUDENT.—The term ‘half-  
18          time student’ means any individual who would be a  
19          student as defined in section 151(c)(4) if ‘half-time’  
20          were substituted for ‘full-time’ each place it appears  
21          in such section.

22          “(4) DEPENDENT.—The term ‘dependent’ has  
23          the meaning given such term by section 152.

24          “(f) SPECIAL RULES.—

1           “(1) DENIAL OF DOUBLE BENEFIT.—No credit  
2           shall be allowed under this section for any amount  
3           for which a deduction is allowable under any other  
4           provision of this chapter.

5           “(2) MARRIED COUPLES MUST FILE JOINT RE-  
6           TURN.—If the taxpayer is married at the close of  
7           the taxable year, the credit shall be allowed under  
8           subsection (a) only if the taxpayer and the tax-  
9           payer’s spouse file a joint return for the taxable  
10          year.

11          “(3) MARITAL STATUS.—Marital status shall be  
12          determined in accordance with section 7703.”

13          (b) REPORTING REQUIREMENT.—

14               (1) IN GENERAL.—Subpart B of part III of  
15               subchapter A of chapter 61 of the Internal Revenue  
16               Code of 1986 (relating to information concerning  
17               transactions with other persons) is amended by in-  
18               serting after section 6050P the following new sec-  
19               tion:

20       **“SEC. 6050Q. RETURNS RELATING TO EDUCATION LOAN IN-**  
21                       **TEREST RECEIVED IN TRADE OR BUSINESS**  
22                       **FROM INDIVIDUALS.**

23               “(a) EDUCATION LOAN INTEREST OF \$600 OR  
24       MORE.—Any person—

25               “(1) who is engaged in a trade or business, and

1           “(2) who, in the course of such trade or busi-  
2           ness, receives from any individual interest aggregat-  
3           ing \$600 or more for any calendar year on any  
4           qualified education loan,  
5           shall make the return described in subsection (b) with re-  
6           spect to each individual from whom such interest was re-  
7           ceived at such time as the Secretary may by regulations  
8           prescribe.

9           “(b) FORM AND MANNER OF RETURNS.—A return  
10          is described in this subsection if such return—

11               “(1) is in such form as the Secretary may pre-  
12          scribe,

13               “(2) contains—

14                       “(A) the name and address of the individ-  
15                       ual from whom the interest described in sub-  
16                       section (a)(2) was received,

17                       “(B) the amount of such interest received  
18                       for the calendar year, and

19                       “(C) such other information as the Sec-  
20                       retary may prescribe.

21          “(c) APPLICATION TO GOVERNMENTAL UNITS.—For  
22          purposes of subsection (a):

23               “(1) TREATED AS PERSONS.—The term ‘per-  
24               son’ includes any governmental unit (and any agency  
25               or instrumentality thereof).



1           “(2) SPECIAL RULES.—In the case of a govern-  
2           mental unit or any agency or instrumentality there-  
3           of—

4                   “(A) subsection (a) shall be applied with-  
5                   out regard to the trade or business requirement  
6                   contained therein, and

7                   “(B) any return required under subsection  
8                   (a) shall be made by the officer or employee ap-  
9                   propriately designated for the purpose of mak-  
10                  ing such return.

11          “(d) STATEMENTS TO BE FURNISHED TO INDIVID-  
12          UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
13          QUIRED.—Every person required to make a return under  
14          subsection (a) shall furnish to each individual whose name  
15          is required to be set forth in such return a written state-  
16          ment showing—

17                  “(1) the name and address of the person re-  
18                  quired to make such return, and

19                  “(2) the aggregate amount of interest described  
20                  in subsection (a)(2) received by the person required  
21                  to make such return from the individual to whom  
22                  the statement is required to be furnished.

23          The written statement required under the preceding sen-  
24          tence shall be furnished on or before January 31 of the

1 year following the calendar year for which the return  
2 under subsection (a) was required to be made.

3 “(e) QUALIFIED EDUCATION LOAN DEFINED.—For  
4 purposes of this section, except as provided in regulations  
5 prescribed by the Secretary, the term ‘qualified education  
6 loan’ has the meaning given such term by section 23(e)(1).

7 “(f) RETURNS WHICH WOULD BE REQUIRED TO BE  
8 MADE BY 2 OR MORE PERSONS.—Except to the extent  
9 provided in regulations prescribed by the Secretary, in the  
10 case of interest received by any person on behalf of an-  
11 other person, only the person first receiving such interest  
12 shall be required to make the return under subsection  
13 (a).”

14 (c) CLERICAL AMENDMENTS.—

15 (1) The table of sections for subpart A of part  
16 IV of subchapter A of chapter 1 of the Internal Rev-  
17 enue Code of 1986 is amended by inserting after the  
18 item relating to section 22 the following new item:

“Sec. 23. Interest on education loans.”

19 (2) The table of sections for subpart B of part  
20 III of subchapter A of chapter 61 of such Code is  
21 amended by inserting after the item relating to sec-  
22 tion 6050P the following new item:

“Sec. 6050Q. Returns relating to education loan interest received  
in trade or business from individuals.”

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to any qualified education loan (as  
3 defined in section 23(e)(1) of the Internal Revenue Code  
4 of 1986, as added by this section) incurred on, before, or  
5 after the date of the enactment of this Act, but only with  
6 respect to any loan interest payment due after December  
7 31, 1995, and before the termination of the period de-  
8 scribed in section 23(d)(1) of such Code.

